



FISCAL HIGHLIGHTS

VOLUME 3, ISSUE 3

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are Available on the LFA Website:
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EXECUTIVE APPROPRIATIONS COMMITTEE

SENATOR LYLE HILLYARD & REPRESENTATIVE RON BIGELOW
MEETING DATE: JUNE 19, 2007

Report: Federal Funds

Tenielle Young from the Governor's Office of Planning and Budget presented the list of federal fund grant applications submitted since the last EAC meeting. The list showed one new application and one grant reapplication requiring action by the EAC, one new grant application and two reapplications that have been approved by the Governor's Office, and 363 grants currently being tracked by the Governor's Office.

The new application requiring EAC approval is a Wetland Program Development Grant requested by the Utah Department of Environmental Quality. It has an annual award of \$497,000. The grant requires a match of \$94,250 from existing program expenses.

Committee Action:

The committee approved the applications requiring EAC action.

Staff Contact: Juliette Tennert

Report: Prison Education - Programs & Funding

Dr. Richard Fowles of the University of Utah Department of Economics presented findings from a study titled "The Utah 2006 Partial Census of Parolees." Dr. Fowles researched the rates of recidivism for prisoners that participated in prison education programs, compared recidivism rates with prisoners

that did not participate in education programs, and assessed the economic situation of individuals on parole. Utah has consistently shown that parolees who participate in education programs (high school, vocational programs, college programs) have a lower rate of recidivism. In addition to education programs, economic factors (rent, restitution, child support, etc.) facing parolees may also impact whether or not a parolee transitions successfully following incarceration.

Jeff Galli, Utah State Office of Education and Gary Wixom, Utah State Board of Regents provided funding histories and performance data for the various prison education programs offered in the state's correctional facilities and county jails. These data are reported each year to the various appropriations subcommittees that oversee prison education programs.

Staff Contacts: Spencer Pratt, Ben Leishman, & Gary Syphus

Report: Revenue Update

Dr. Andrea Wilko provided the committee with an overview of Utah's economy, including an update of tax collections by major fund and significant factors influencing the state's economy. The Revenue Update is a collaborative effort of the Revenue Assumptions Committee

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BEN LEISHMAN, EDITOR

EXECUTIVE APPROPRIATIONS

~ CONTINUED FROM FRONT

comprised of the Fiscal Analyst's Office, Governor's Office of Planning and Budget, Tax Commission, Department of Workforce Services, Department of Natural Resources, University of Utah and private contractors.

Please refer to the first issue of the quarterly Revenue Update for more information. The Revenue Update may be found on the front-page of the Legislature's website. The next quarterly update will occur in October.

Staff Contact: Andrea Wilko

Report: State Support to Local Governments, FY 2008

The Legislative Fiscal Analyst compiled a listing of items funded during the 2007 General Session that directly support local governmental entities. The State will provide over \$300 million in aid to local governments in FY 2008. These governments receive state support through the following major categories:

- Direct Support - \$202.8 Million
- Mandated - \$10 Million
- In-Kind - \$13.8 Million
- Contracted - \$39.4 Million
- Pass-Through - \$34.6 Million

State support for Public Education provided by school districts and charter schools was excluded from this report.

Staff Contact: Danny Schoenfeld

Report: Quagga Mussel Advisory - Department of Natural Resources

Department of Natural Resources Director Michael Styler briefed the committee on the Quagga Mussel. The mussel is an invasive species to North America and can impact aquatic bio-systems and harm water delivery systems. The species appeared first in the Great Lakes and has invaded waterways throughout the east coast. In January 2007, mussels were found in lakes Mead, Mohave, and Havasu.

Mussels move by drifting downstream, and by boats transferred from infested to non-infested waters. Utah's proximity of the above-mentioned lakes suggests that Utah's waterways are at risk. Natural Resources reports that 5 Utah waterways are in the top 20 destinations of Lake Mead boaters. These waterways include: Lake Powell, Pineview Reservoir, Bear Lake, Willard Bay, and Jordanelle Reservoir.

Currently, the Department is working to prevent the spread of mussels to Utah. To further this goal, they seek additional funding, totaling \$1.65 million to hire 3 full time employees, monitor fisheries, enhance law enforcement, hire 39 seasonal watercraft inspectors and provide community education/outreach.

Staff Contact: Ivan Djambov

COMMERCE & REVENUE

eRep Update

The Department of Workforce Services is working toward the implementation of the eRep program. The new program was planned for a roll out to all of the Department of Workforce Service staff the first quarter of 2008. After some additional review it was decided that additional time is needed before it is fully implemented.

The main reasons for the delayed implementation, according to DWS staff, is changes in the original scope, unanticipated upgrades to the core software package, and required modifications to the business design.

Staff Contacts: Stan Eckersley & Danny Schoenfeld

HIGHER EDUCATION

Higher Education Awards Scholarships

The Utah System of Higher Education has awarded four-year scholarships to ten graduate students pursuing professional degrees in veterinary medicine, optometry, and podiatry. Since these degrees are not offered at Utah institutions, the scholarships will offset the out-of-state tuition cost. The students agree to return to Utah and practice in their respective field as a condition of the scholarship.

Seven of the scholarships are awarded through the Western Interstate Commission of Higher Education (WICHE) Professional Student Exchange Program. Of these seven scholarships, five students are pursuing a degree in veterinary medicine, and one each in optometry and podiatry. The Utah At Large Veterinary Education Program is providing the other three scholarships.

Utah currently has 36 other students studying under these scholarship programs.

Staff Contact: Spencer Pratt

What Goes Into a Fiscal Note - And What Comes Out

As lawmakers well know, each bill numbered and introduced in the Legislature has to go through the fiscal note process. Most legislators also know why: many bills have some fiscal implication and the fiscal note process allows all legislators to identify such implications prior to the bill's passage. What is perhaps not so clear is what happens during those three days when a bill disappears into the Fiscal Analyst's office, and ultimately what the Fiscal Note really measures.

A Fiscal Note is an independent estimate of the incremental cost of implementing specific legislation - it is not a cost-benefit analysis of the bill's underlying policy or programmatic objectives. It is developed via a well defined process established in rule and reported in bill status updates. It may inform legislative decision making, but it is in no way binding upon the Legislature.

Legislative Joint Rule 4.22 states that a fiscal note shall be printed with each bill. It further states that the Office of Legislative Research and General Counsel (LRGC) shall send a copy of any approved bill to the Legislative Fiscal Analyst, and that "when the Legislative Fiscal Analyst receives the approved bill, that office has three legislative days to review the bill and provide a fiscal note to the sponsor of the legislation."

Three days! We know of no other legislative fiscal office with such a short deadline, and we pride ourselves on meeting it. Last General Session we received nearly 1,000 bill drafts and were late on comparatively few. Here's what we do:

1. When an approved draft bill is received from LRG, it is assigned to an analyst based upon issue area and code section. Under improvements made last session, assignment information is immediately posted to an Internet bill status page, and a bill's sponsor is notified via email.
2. Analysts distribute the approved bill to impacted agencies, institutions, and local governments. Where appropriate, this distribution is done concurrently with step 1 above via an automated process. This action is also posted to the Internet.
3. Pending responses from impacted entities, fiscal staff reviews the bill and where appropriate develops methodologies by which its impact will be estimated.
4. Once sufficient feedback is received from

impacted entities, an analyst applies the methodologies developed in step 3 and then writes a draft fiscal note. The note is then reviewed by the Fiscal Note Supervisor, and then by the office Director.

5. When approved by the office Director, the draft fiscal note is sent to the bill's sponsor. This action is done electronically and in hard-copy, and the note's status is again posted to the Internet.
6. By rule, legislators have 24 hours to react to a draft fiscal note, during which time the sponsor might approve the note, direct the immediate release of the note, or appeal the content of the note to the Legislative Fiscal Analyst.
7. Upon approval of the sponsor or after 24 hours of the sponsor's notification, the note may be released by the Legislative Fiscal Analyst. At such time, the note is sent electronically to both chambers of the Legislature and to Legislative Printing to be released with the bill. The bill status page is finally updated to reflect that a fiscal note has been completed.
8. Throughout the above steps, notes are flagged for follow-up so that we can later how well we did calculating fiscal impact.

We hope that what comes out of this process is a pretty good short-term estimation of what it would cost to implement the provisions of a particular bill precisely as drafted. The note reflects an incremental cash-flow impact, and that impact is dependent upon the specific text of the bill. In producing a Fiscal Note, we attempt to avoid questioning the legal and policy intentions of a bill's sponsor, and we absolutely avoid making any judgment about whether a bill fulfills those intentions.

For example, a bill might introduce a new state program that is intended to reduce costs or improve efficiencies. A cost/benefit analysis of the program proposed by the bill might even reveal a potential cost savings. But, if the bill fails to realize the savings via an appropriation reduction or by elimination of a statutory requirement that would in-turn lead to an appropriations reduction, the savings may not be reflected in a Fiscal Note.

And that's the point. We mean for the fiscal note process to provide information to you, the policy makers. We aim for it to help you achieve your policy objectives, steer clear of unintended budget consequences, and assure intended ones. After all, we work for you.

Staff Contact: Jonathan Ball

Permanent Placement for the Department of Human Services

During the 2007 General Session the Legislature acted upon an opportunity to solve two nagging building issues, but left an attendant issue to resolve in the 2008 General Session.

First, the Utah Schools for the Deaf and Blind (USDB) needed new space. They were occupying old buildings with non-renewable leases set to expire in the next two years. In addition, classrooms used for USDB programs in the Granite School District were set to be lost with the closure of two schools.

Second, the Department of Human Services (DHS) building on North Temple and 200 West was in need of \$5 million in repairs and still had \$4.5 million in revenue bond debt. The fourth floor was considered unsafe for occupancy and the building lacked sufficient electrical capacity.

The LDS Church offered \$11 million for the DHS building. The Legislature accepted the offer and used the proceeds to purchase an existing building for the USDB for \$6 million, improve the building for \$0.5 million, and pay off the DHS building revenue bond for \$4.5 million.

While these transactions solved two problems, they created a problem of leaving DHS without permanent space. The new owners agreed to lease the DHS building back to the state for up to two years (until July 2009) so the state could find new space. During the 2008 General Session the Legislature will decide how best to house DHS (lease, purchase an existing building, or construct a new building). After the session only 15 months remain until DHS must vacate its existing building.

Recognizing the short time frame, DFCM is doing as much planning as possible now, so that in case the Legislature opts to construct new space they can begin bidding immediately. They believe that if all goes well, they can have a new building constructed by July of 2009.

The Legislature will probably need to make a decision in context of other office space needs in the Salt Lake area, including overcrowding in the Department of Health building, the Department of Environmental Quality currently being housed in three separate buildings, and the Capitol Preservation Board's master plan calling for demolition and reconstruction of the State Office Building.

Staff Contact: Steven Allred

Japanese Beetle Infestation and Treatment

Although Japanese Beetles are harmless to humans, they can be highly destructive to lawns, fruit trees, plants, and various agricultural crops. The grubs feed on roots and the adult beetles eat foliage, leaving behind skeletonized leaves.

In July 2006, a small population of Japanese Beetles was detected in Orem, Utah. In response, the Department of Agriculture and Food (DAF) formed a team of experts from the USDA, the USU Extension, Utah County Health Department, as well as representatives from Orem City, and Utah County. The team determined that the only method for total eradication was chemical treatment of infected areas. Spraying is now underway, and the chemicals used are common products, available at garden shops. The cost for this season will be approximately \$400,000, which DAF will pay from its non-lapsing reserve.

The experts will continue to monitor throughout the summer to ensure this is the only infested area. By January 2008, the Department of Agriculture will prepare a report to the Legislature on the results from their efforts, outlining the success and future needs. DAF officials anticipate that the total eradication of the Japanese Beetle in the currently infested area will require three years of treatment.

Staff Contact: Ivan Djambov

Upcoming Meetings

- Medicaid Interim Committee
Date: Friday, July 20, 2007
Time: 9:00 A.M.
Location: W135 State Capitol Complex
- Health & Human Services Appropriations Subcommittee
Date: Wednesday, September 5, 2007
Time: To Be Announced
Location: To Be Announced
- Higher Education Appropriations Subcommittee
Date: Wednesday, September 12, 2007
Time: 1:00 P.M.
Location: Weber State University

Jail Reimbursement vs. Jail Contracting

The State employs two jail programs to manage the housing costs of approximately 20% of the total state inmate population and felony probationers who are sentenced to serve some limited time in a county jail as a one of the conditions of their felony probation sentence. The Jail Contracting program is used to manage a portion of the total adult felony prison population (inmates) in county jails. The Jail Reimbursement program is a payment made by Corrections to the counties to pay for a portion of the cost of housing felony probationers who are serving some limited number of days in jail as a condition of their felony probation sentence.

In 1983, legislation authorized the use of the Jail Reimbursement Program to reimburse county jails for costs incurred from housing felony probationers in their jails. In 1986, Corrections began contracting with counties to house a portion of their total inmate population in county jails throughout the state. Below is a table with General Fund history for both programs.

**Jail Contracting and Jail Reimbursement
General Fund History 2003-2007**

Fiscal Year	Jail Contracting	Jail Reimbursement	Total
2003	18,086,200	8,515,900	26,602,100
2004	18,086,200	9,515,900	27,602,100
2005	18,086,200	9,081,000	27,167,200
2006	21,926,600	9,605,900	31,532,500
2007	21,926,600	9,605,900	31,532,500

Compensation to county jails through both programs is directly linked to the "core rate". The FY'07 core rate (\$42.32) is a rate established by the county jails across the state, agreed to by the legislature, and reflects the average daily housing cost for county jails. For the current fiscal year, the jail reimbursement program reimburses counties at 70% of this core rate, (\$29.32) for felony probationers. For the Jail Contracting program, the FY'07 payment is statutorily set at 100% of the agreed core rate (\$42.32).

Since their beginning, ongoing debate in the Legislature has shaped these programs into what they are today. It is expected that involved discussion will continue to surround these issues in the future.

Staff Contact: Gary Syphus

New Nursing Care Facility Assessment Rate

In 2004, the Legislature reinstated an assessment on nursing care facilities to be used to increase the amount of federal Medicaid matching funds for the care of the elderly and disabled individuals served by these facilities. Senate Bill 128, Long Term Care Facilities Amendments (2004 General Session), authorizes the Department of Health to establish by rule a uniform assessment on all nursing care facilities based on non-Medicare patient days. Assessments may not exceed six percent of the total gross revenue for services provided to patients in such facilities. The Department of Health deposits assessments into the Nursing Care Facilities Account and the Legislature appropriates the funds back to the department to be used as additional state Medicaid match monies to draw down additional federal Medicaid funding.

The 2007 Legislature appropriated an additional \$4.1 million dollars from the Nursing Care Facilities Account for fiscal year 2008 (bringing the total appropriation from the account to \$15.7 million), allowing the Department of Health to increase the Nursing Care Facility Assessment from \$6.18 to \$8.96 per non-Medicare patient date. These additional collections will allow the department to draw down about \$10.2 million in additional federal matching funds.

Staff Contact: Juliette Tennert

LFA Staff Changes

We welcome three Analysts to the LFA staff:

- Dr. Thomas Young - will work as an Economist with Dr. Andrea Wilko on revenue & taxation.
- Dr. Berhanie Abebe - will work as an Economist with Dr. Andrea Wilko on property tax issues and will co-staff the Public Education Appropriations Subcommittee with Ben Leishman & Danny Schoenfeld.
- Gary Syphus - will work as the Corrections Analyst and will co-staff the Executive Offices and Criminal Justice Appropriations Subcommittee with Gary Ricks.

We also say farewell to two Analysts:

- Juliette Tennert accepted a position with the Governor's Office of Planning and Budget as the manager for the Demographic and Economic Analysis section.
- Derek Byrne accepted a position as a Budget Manager within the Administrative Offices of the Courts.



RETURN SERVICE REQUESTED

Joint Education Meeting

A joint meeting consisting of the Public Education Appropriations Subcommittee, the Higher Education Appropriations Subcommittee, the Education Interim Committee, the State Board of Education, and the State Board of Regents occurred on June 13, 2007. Members of these education entities met at the Granite School District Education Campus to discuss cross-cutting issues facing the K-16 system.

Meeting participants discussed topics such as teacher training, teacher initiatives, and teacher shortages. Specifically, participants discussed ways in which colleges and universities could increase capacity for new educators and improve the quality of education received by future educators. From the public education side, participants discussed how to make teaching a more attractive profession and methods to retain quality educators. The morning session concluded with a discussion on the K-16 Alliance report, including ways in which report recommendations could be implemented within both the public and higher education systems.

During the morning session, Governor Hunts-

man addressed meeting participants and highlighted a number of emerging initiatives to improve Utah's education system.

The afternoon session included a discussion on the costs and characteristics of students taking remedial classes in Utah's higher education institutions. Leaders from the State Office of Education and the State Board of Regents highlighted education budget priorities expected to emerge in the 2008 General Session. Finally, the meeting concluded with a discussion on the Governance and Constitutional Powers of State Board of Education.

In total, 38 legislators participated in the joint meeting. The meeting also benefited from the significant participation of members from the State Board of Education and the State Board of Regents. Staff from the USOE and the Office of the Commissioner provided the framework for many of the discussions presented throughout the joint meeting.

Staff Contacts: Spencer Pratt, Ben Leishman, Danny Schoenfeld, Berhanie Abebe